FINANCIAL SECTION

Six-Year Summary

	Millions of yen 1995	1996	1997	1998	1999	2000	Thousands of U.S. dollars 2000
For the Year:							
Net sales	¥540,361	¥560,821	¥588,572	¥620,910	¥604,295	**¥596,643**	**$5,682,314**
Cost of sales	169,164	183,887	197,803	208,763	203,380	**196,760**	**1,873,904**
Selling, general and administrative expenses	344,889	340,012	347,996	374,034	365,553	**361,887**	**3,446,543**
Income from operations	26,308	36,922	42,773	38,113	35,362	**37,996**	**361,867**
Net income	11,382	17,507	19,152	16,868	10,332	**15,294**	**145,657**
At Year-End:							
Total current assets	¥254,318	¥283,964	¥299,121	¥340,507	¥314,292	**¥323,311**	**$3,079,152**
Total assets	564,383	580,513	610,132	626,435	613,979	**657,431**	**6,261,248**
Total current liabilities	151,417	188,189	161,868	149,643	143,162	**188,415**	**1,794,429**
Short-term bank loans (incl. bonds redeemable within 1 year)	18,986	50,055	13,736	6,361	6,056	**34,123**	**324,981**
Long-term debt	33,546	2,551	27,911	28,102	30,138	**6,021**	**57,343**
Shareholders' equity	346,190	357,861	388,145	413,801	408,848	**431,727**	**4,111,686**
Per Share Data (in yen and U.S. dollars):							
Net income	¥28.4	¥43.8	¥47.5	¥ 40.1	¥24.5	**¥36.7**	**$0.35**
Cash dividends	12.5	12.5	12.5	13.25	14.0	**16.0**	**0.15**
Weighted average number of shares outstanding during the period (in thousands)	400,215	400,215	403,236	420,257	420,882	**416,760**	
Key Financial Ratios:							
Operating profitability (%)	4.9	6.6	7.3	6.1	5.9	**6.4**	
Return on sales (%)	2.1	3.1	3.3	2.7	1.7	**2.6**	
Return on assets (%)	2.0	3.1	3.2	2.7	1.7	**2.4**	
Return on equity (%)	3.3	5.0	5.1	4.2	2.5	**3.6**	
Equity ratio (%)	61.3	61.6	63.6	66.1	66.6	**65.7**	
Current ratio (times)	1.68	1.51	1.85	2.28	2.20	**1.72**	
Debt/equity ratio (times)	0.15	0.15	0.11	0.08	0.09	**0.09**	
Payout ratio (%)	41.3	28.6	26.5	33.3	56.8	**43.5**	

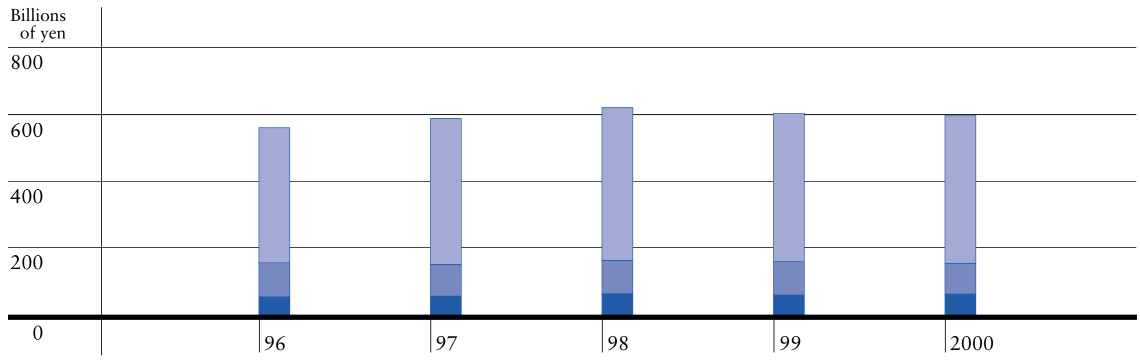
Note: U.S. dollar amounts are converted from yen, for convenience only, at the rate of ¥105=US$1, the approximate rate of exchange.

Sales by Segment

(and percentage of net sales)

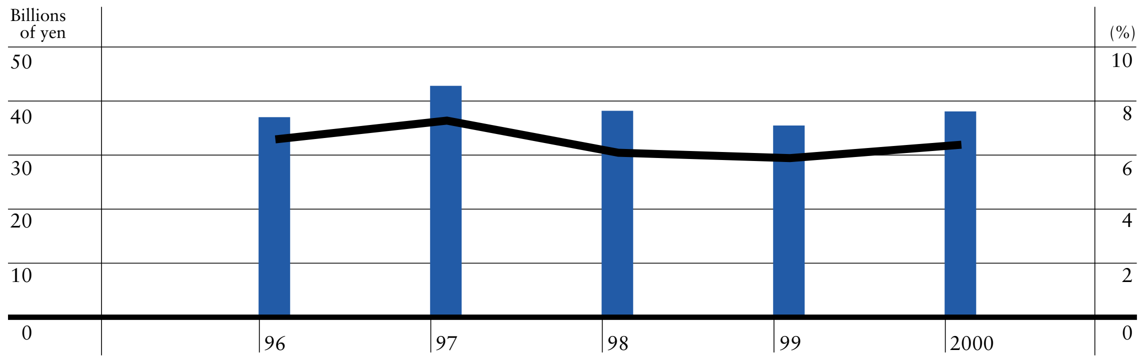
	Millions of yen 1995	1996	1997	1998	1999	2000	Thousands of U.S. dollars 2000
Cosmetics	¥387,314	¥404,181	¥436,705	¥457,333	¥444,495	**¥441,375**	**$4,203,571**
	(71.7%)	(72.1%)	(74.2%)	(73.7%)	(73.6%)	**(74.0%)**	**(74.0%)**
Domestic	353,056	359,997	377,141	379,604	364,820	**366,207**	**3,487,685**
Overseas	34,258	44,184	59,564	77,729	79,675	**75,168**	**715,886**
Toiletries	97,606	101,675	94,610	99,310	98,939	**91,619**	**872,562**
	(18.1%)	(18.1%)	(16.1%)	(16.0%)	(16.4%)	**(15.3%)**	**(15.3%)**
Domestic	97,606	101,675	94,610	99,310	98,939	**91,452**	**870,971**
Overseas	—	—	—	—	—	**167**	**1,591**
Others: salon, foods, pharmaceuticals and other businesses	55,441	54,965	57,257	64,267	60,861	**63,649**	**606,181**
	(10.2%)	(9.8%)	(9.7%)	(10.3%)	(10.0%)	**(10.7%)**	**(10.7%)**
Domestic	49,416	48,717	52,272	49,778	46,981	**51,507**	**490,543**
Overseas	6,025	6,248	4,985	14,489	13,880	**12,142**	**115,638**
Net sales	¥540,361	¥560,821	¥588,572	¥620,910	¥604,295	**¥596,643**	**$5,682,314**
	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	**(100.0%)**	**(100.0%)**
Overseas sales	¥ 40,283	¥ 50,432	¥ 64,549	¥ 92,218	¥ 93,555	**¥ 87,477**	**$ 833,114**
	(7.5%)	(9.0%)	(11.0%)	(14.9%)	(15.5%)	**(14.7%)**	**(14.7%)**

Net Sales by Segment

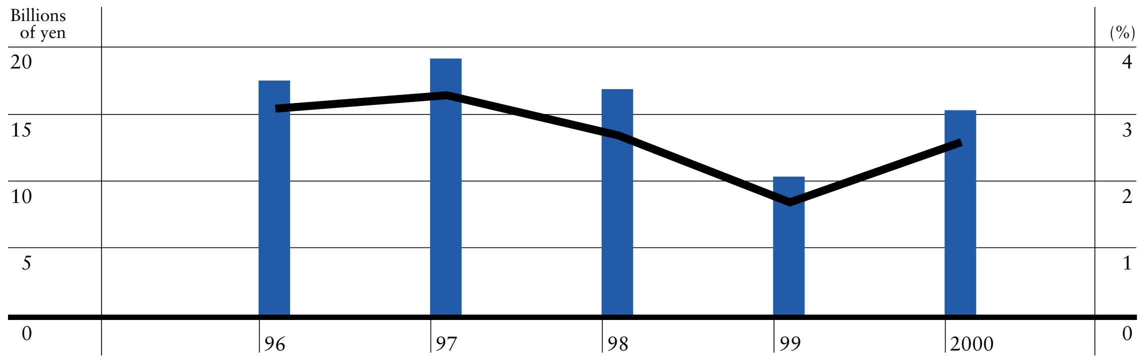


Cosmetics
Toiletries
Others

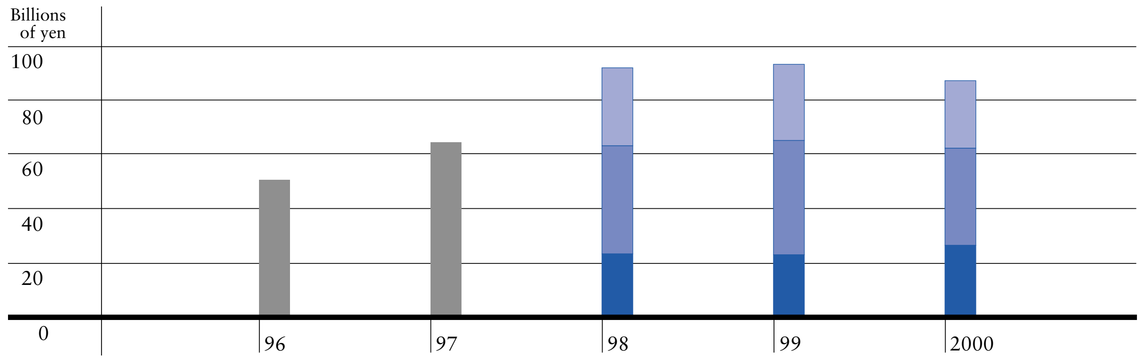
Income from Operations/ Operating Profitability



Net Income/ Return on Sales



Overseas Sales by Geographic Area



Americas
Europe
Asia/Oceania

◆ Revenues and Earnings

In fiscal 2000, ended March 31, 2000, Shiseido Company, Limited, and 76 of its consolidated subsidiaries reported a net sales decline of 1.3% from the previous year.

In Japan, the Company's mainstay cosmetics products generated a slight year-on-year sales gain despite stagnant personal consumption. However, sales of toiletries fell owing to our efforts to reduce distribution inventories and because of the sluggish domestic market. As a result, domestic sales were down 0.3% from fiscal 1999's result.

Overseas sales climbed 12.7% on a local-currency basis, but the Japanese currency's sharp appreciation during the year led to a 6.5% decline in yen terms. The share of overseas sales in consolidated net sales dropped to 14.7%, from 15.5% in the previous year.

Despite the slight decline in revenues, income from operations rose 7.4%. The profitability of all business divisions improved thanks to the implementation of companywide cost-best activities, an upturn in the domestic cosmetics market, the successful reform of our cosmetics sales subsidiary's profit structure, and our focused megabrand strategy for toiletries. In a notable achievement, the others segment recorded a profit during the term.

During the year, lower material costs resulting from our extensive cost-best activities helped reduce the ratio of cost of sales to net sales 0.7 percentage point, to 32.9%.

The ratio of SG&A to net sales was up 0.2 percentage point, to 60.7%, owing to the sales decrease. This was despite our efficient advertising investments and the shift of some sales promotion costs to our cosmetics sales subsidiary.

Other income amounted to ¥3.7 billion, a ¥10.0 billion gain from the previous fiscal year, when Shiseido posted a loss on revaluation of securities and major restructuring expenses.

As a result, income before income taxes climbed 43.6% and net income jumped 48.0%.

◆ Sales by Segment

Domestic sales of cosmetics were up 0.4%. In the context of a lackluster market, we achieved this result thanks to the launch of our global multibrand strategy and the drastic reform of the cosmetics operations of the parent company and its sales subsidiary in our resolute pursuit of customer benefit.

At the prestige end of the market, sales of channel-specific and specialized brands grew strongly, and *Serum Noir*, a hair-restoration treatment for women, scored a major market hit. These and other factors supported a firming in our sales. The middle market, targeted at self-selection consumers, weakened, especially in the area of men's hair-growth treatments. Overall, domestic sales of cosmetics increased slightly from fiscal 1999.

Overseas, SHISEIDO-brand products, especially mainstay skin-care lines, made solid market gains, and Beauté Prestige International S.A., a French subsidiary handling fragrances, continued to perform steadily. As a result, overseas cosmetics sales in local-currency terms grew sharply. Owing to the yen's appreciation against most major currencies, however, yen-based sales declined 5.7%.

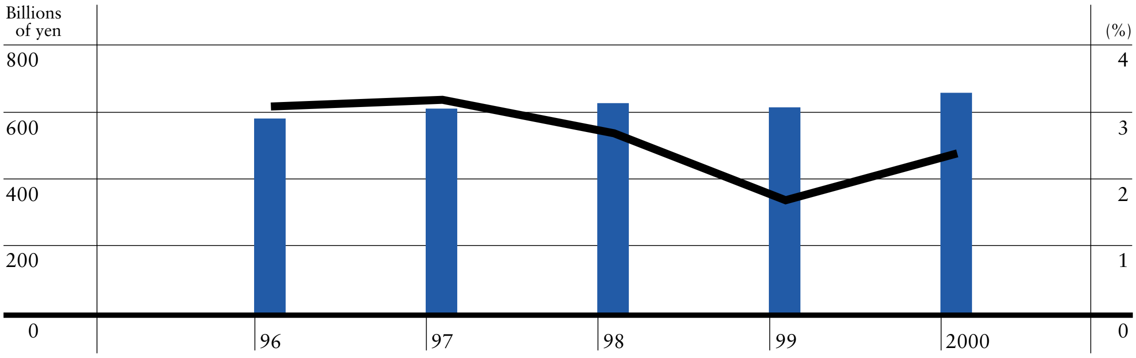
In our toiletries business, we promoted our megabrand strategy, which consisted chiefly of the addition of new products to already-powerful selected lines. Sales of *Center-In*, a women's sanitary product newly included in our megabrand lineup, grew rapidly. As a result, megabrands accounted for more than 50% of all toiletries sales. Because of stagnation in markets for shampoos, conditioners, and other hair-care products, as well as our efforts to reduce distribution inventories, overall sales in this category fell 7.4%. During the year, we launched toiletries in Asia and Oceania, registering our first overseas sales for this segment.

Domestic sales of the others segment climbed 9.6%, supported by improved performances of our salon, foods, and pharmaceuticals businesses. Although existing salon products struggled, overall sales grew as we aggressively introduced global brands in the domestic market.

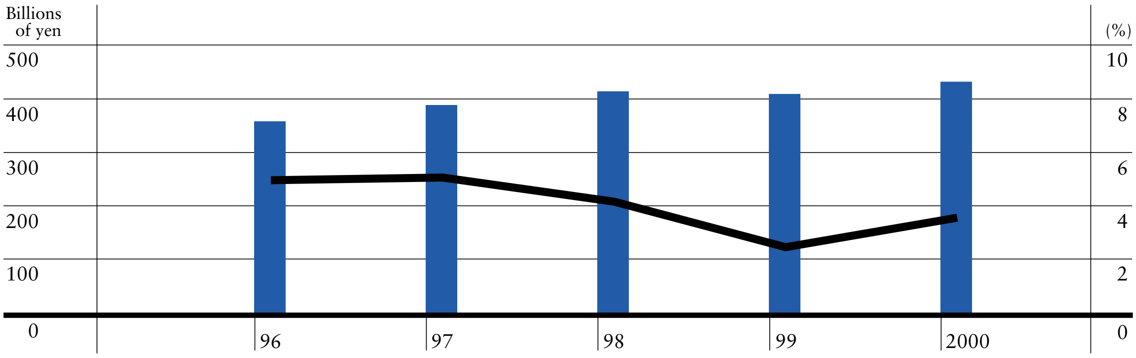
In our foods business, we reinforced our sales system and refocused on core products, which contributed to the sales increase. In pharmaceuticals, our strategy of focusing on powerful products began to bear fruit, with increased sales of both general-use and medical-use products.

In fiscal 2000, we separated off our lifestyle-related goods business into a subsidiary, Shiseido Shoppers Club Co., Ltd. Sales of this business declined as we drastically reduced our range of offerings to focus on high-profit items.

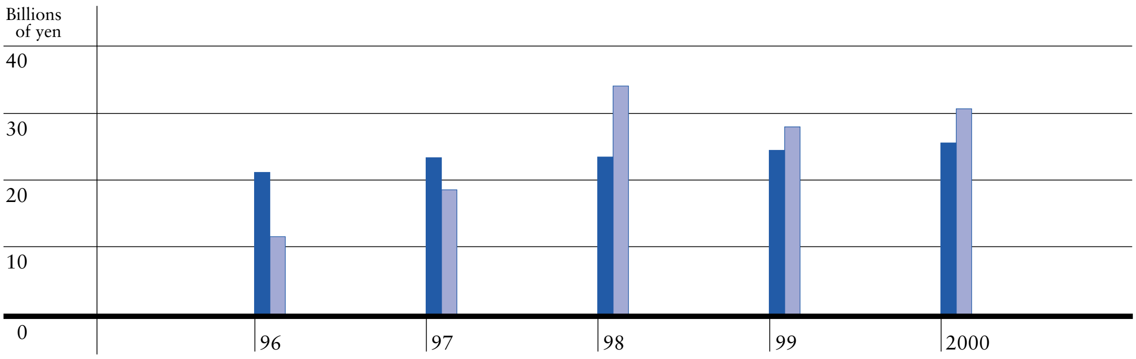
Total Assets/ROA



Shareholders' Equity/ROE



Depreciation/ Capital Investment



Depreciation
Capital Investment

◆ Y2K Issue

We are pleased to report that the transition to the year 2000 caused no major problem in our computer systems and equipment, and that the core operations at all of the Shiseido Group's places of business were unaffected. We attribute this outcome to ample preventive measures taken by the Y2K Committee, established specifically to address this issue. Having implemented extensive measures prior to the transition, the committee also closely monitored the situation afterward and swiftly addressed and rectified several minor glitches that occurred. We have also confirmed that the Y2K issue caused no major problem for our suppliers and customers.

◆ Financial Position

At March 31, 2000, Shiseido's total assets were ¥43.5 billion higher than a year earlier. This includes an increase of ¥23.2 billion as a result of the Company's introduction of tax-effect accounting.

Notes and accounts receivable, less the allowance for doubtful accounts, rose ¥3.1 billion. Inventories climbed ¥11.6 billion, reflecting increased inventories held as a Y2K contingency.

Total property, plant and equipment grew ¥6.9 billion, chiefly owing to investments in our No. 2 factory in France, our factory in Shanghai, and our new R&D facility.

Total shareholders' equity jumped ¥22.9 billion as a result of several factors, including among others the gain in net income to ¥15.3 billion and prior year adjustments for retroactive recognition of deferred tax of ¥17.4 billion. These increases more than compensated for outlays of ¥5.8 billion for cash dividends and of ¥5.0 billion for the retirement of treasury stocks.

◆ Cash Flows

Cash inflows from operating activities were ¥34.3 billion, as inflows from income before income taxes of ¥41.7 billion, depreciation of ¥25.6 billion, and other items more than offset outflows in the form of increased receivables, inventories, and payment of income taxes.

Cash outflows from investing activities during the year were ¥31.8 billion, due primarily to the acquisition of property, plant and equipment and an increase in intangible assets, which together totaled ¥35.9 billion.

Cash outflows from financing activities amounted to ¥4.7 billion, owing to such factors as the payment of cash dividends and the retirement of treasury stocks, which more than offset inflows from borrowings. As a result, cash and cash equivalents at end of year amounted to ¥68.5 billion, ¥4.7 billion lower than at the beginning of the year. In addition to factors described above, the yen value of cash and cash equivalents at beginning of year decreased as a result of the yen's appreciation during the term and despite an increase in cash associated with the inclusion of new consolidated subsidiaries.

◆ Outlook*

For fiscal 2001, ending March 31, 2001, Shiseido projects consolidated net sales of ¥620 billion, up approximately 4% from fiscal 2000. Of this, we expect domestic sales to grow 1%, to ¥515 billion, and overseas sales to rise some 20%, to ¥105 billion.

The Company forecasts a 5% gain in income from operations, to ¥40 billion, despite expectations of a peak in depreciation expenses and an increase in pension costs associated with the introduction of retirement-benefit accounting.

Despite these anticipated increases, we forecast a net loss of ¥34 billion, largely due to extraordinary losses estimated at ¥93 billion arising from such factors as the complete elimination of the shortfall in our pension reserves in line with the introduction of new accounting standards regarding employees' retirement benefits, as well as the lump-sum amortization of goodwill related to Zotos International. While negatively affecting the bottom line in the short term, these actions will effectively eliminate factors that would otherwise damage future profitability, thus strengthening the Company's financial base and maximizing shareholder value in the long term.

** This section includes forward-looking statements about Shiseido's expected future performance. For an explanation of the Company's position regarding these and other future-oriented statements contained in this annual report, please refer to the note regarding forward-looking statements, on the bottom of page 37.*

Consolidated Financial Statements

Consolidated Balance Sheets

Shiseido Company, Limited, and Subsidiaries—March 31, 1999 and 2000

◆ Assets

	Millions of yen 1999	Millions of yen 2000	Thousands of U.S. dollars (Note 1. (1)) 2000
Current Assets:			
Cash and time deposits	¥ 33,731	¥ 29,700	$ 282,857
Short-term investments in securities	84,794	75,290	717,048
Notes and accounts receivable:			
Trade	109,662	112,953	1,075,743
Unconsolidated subsidiaries and affiliates	239	44	419
	109,901	112,997	1,076,162
Less: Allowance for doubtful accounts	(796)	(780)	(7,429)
	109,105	112,217	1,068,733
Inventories (Note 3)	65,794	77,423	737,362
Deferred tax assets (Note 7)	10,719	21,360	203,429
Other current assets	10,149	7,321	69,723
Total current assets	314,292	323,311	3,079,152
Investments and Advances:			
Investments in securities	41,199	50,029	476,467
Investments in and advances to unconsolidated subsidiaries and affiliates	2,410	1,875	17,857
Other investments	18,234	18,613	177,267
Total investments and advances	61,843	70,517	671,591
Property, Plant and Equipment, at Cost:			
Buildings and structures	154,541	160,060	1,524,381
Machinery and equipment	145,774	156,164	1,487,277
	300,315	316,224	3,011,658
Less: Accumulated depreciation	(209,648)	(215,878)	(2,055,981)
	90,667	100,346	955,677
Land	67,961	67,363	641,552
Construction in progress	13,401	11,203	106,695
Total property, plant and equipment	172,029	178,912	1,703,924
Intangible Assets and Deferred Charges (Note 4)	49,624	44,501	423,819
Deferred Tax Assets (Note 7)	—	12,551	119,533
Adjustments on Foreign Currency Statement Translation	16,191	27,639	263,229
	¥613,979	¥657,431	$6,261,248

The accompanying notes are an integral part of the statements.

◆ Liabilities and Shareholders' Equity

	Millions of yen 1999	Millions of yen 2000	Thousands of U.S. dollars (Note 1. (1)) 2000
Current Liabilities:			
Short-term bank loans	¥ 6,056	¥ 8,642	$ 82,305
Current portion of long-term debt (Note 5)	—	25,481	242,676
Notes and accounts payable:			
Trade	49,403	48,662	463,447
Unconsolidated subsidiaries and affiliates	1,154	1,305	12,429
Other	39,041	45,184	430,324
	89,598	95,151	906,200
Accrued income taxes	8,289	21,539	205,133
Accrued expenses	24,512	23,345	222,334
Deferred tax liabilities (Note 7)	—	20	190
Other current liabilities	14,707	14,237	135,591
Total current liabilities	143,162	188,415	1,794,429
Long-Term Liabilities:			
Long-term debt (Note 5)	30,138	6,021	57,343
Accrued retirement benefits	3,697	3,807	36,257
Deferred tax liabilities (Note 7)	—	1,259	11,990
Other long-term liabilities	4,269	2,960	28,191
Total long-term liabilities	38,104	14,047	133,781
Difference between Investment Costs and Equity in Net Assets Acquired	2,223	1,805	17,190
Minority Interests in Consolidated Subsidiaries	21,642	21,437	204,162
Contingent Liabilities (Note 8)			
Shareholders' Equity:			
Common stock, par value ¥50 per share;			
Authorized; 793,600,000 shares and 790,573,000 shares at March 31, 1999 and 2000, respectively			
Issued; 417,209,251 shares and 415,118,613 shares at March 31, 1999 and 2000, respectively	58,372	58,963	561,552
Additional paid-in capital	57,669	58,387	556,067
Retained earnings	292,807	314,377	2,994,067
Total shareholders' equity	408,848	431,727	4,111,686
	¥613,979	¥657,431	$6,261,248

Consolidated Statements of Income

Shiseido Company, Limited, and Subsidiaries—For the years ended March 31, 1998, 1999 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1. (1))
	1998	1999	2000	2000
Net Sales	¥620,910	¥604,295	**¥596,643**	**$5,682,314**
Cost of Sales	208,763	203,380	**196,760**	**1,873,904**
Gross profit	412,147	400,915	**399,883**	**3,808,410**
Selling, General and Administrative Expenses	374,034	365,553	**361,887**	**3,446,543**
Income from operations	38,113	35,362	**37,996**	**361,867**
Other Income (Expenses):				
Interest and dividend income	5,095	2,982	**3,160**	**30,094**
Interest expense	(520)	(367)	**(384)**	**(3,657)**
Gain on sales of marketable securities	2,325	1,324	**3,159**	**30,086**
Gain on sales of property and equipment	700	1,326	**1,657**	**15,781**
Gain (loss) on revaluation of securities	(2,328)	(3,267)	**1,147**	**10,924**
Exchange loss	—	—	**(2,182)**	**(20,781)**
Restructuring expenses	(19,950)	(7,560)	**—**	**—**
Equity in earnings of affiliates (Note 1. (4))	26	104	**190**	**1,810**
Others, net	(884)	(893)	**(3,073)**	**(29,267)**
	(15,536)	(6,351)	**3,674**	**34,990**
Income before income taxes	22,577	29,011	**41,670**	**396,857**
Income Taxes (Note 7):				
Current	7,377	15,540	**29,002**	**276,209**
Deferred	(1,912)	2,463	**(4,086)**	**(38,914)**
	5,465	18,003	**24,916**	**237,295**
	17,112	11,008	**16,754**	**159,562**
Minority Interests in Net Income of Consolidated Subsidiaries	(244)	(676)	**(1,460)**	**(13,905)**
Net income	¥ 16,868	¥ 10,332	**¥ 15,294**	**$ 145,657**

	Yen			U.S. dollars (Note 1. (1))
Per Share (Note 2. (9)):				
Net income, adjusted—primary	¥ 40.1	¥24.5	**¥36.7**	**$0.350**
—fully diluted	39.9	24.5	**36.5**	**0.348**
Dividends	13.25	14.0	**16.0**	**0.152**
Weighted Average Number of Shares (in thousands)	420,257	420,882	**416,760**	

The accompanying notes are an integral part of the statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Shiseido Company, Limited, and Subsidiaries—For the years ended March 31, 1998, 1999 and 2000

	Number of shares of common stock (thousands)	Millions of yen		
		Common stock	Capital surplus	Retained earnings
Balance as at March 31, 1997	412,467	¥51,342	¥49,124	¥287,679
Net income for the year ended March 31, 1998	—	—	—	16,868
Cash dividends	—	—	—	(5,221)
Directors' and statutory auditors' bonuses	—	—	—	(137)
Increase due to exclusion of subsidiaries from application of consolidation	—	—	—	702
Decrease due to additional consolidation of subsidiaries	—	—	—	(1,801)
Exercise of warrants	10,906	6,881	8,364	—
Balance as at March 31, 1998	423,373	58,223	57,488	298,090
Net income for the year ended March 31, 1999	—	—	—	10,332
Cash dividends	—	—	—	(5,910)
Directors' and statutory auditors' bonuses	—	—	—	(146)
Increase due to exclusion of subsidiaries and affiliates from application of equity method	—	—	—	158
Decrease due to additional consolidation of subsidiaries	—	—	—	(365)
Decrease due to exclusion of subsidiaries from application of consolidation	—	—	—	(123)
Other decrease	—	—	—	(77)
Retirement of treasury stocks	(6,400)	—	—	(9,152)
Exercise of warrants	236	149	181	—
Balance as at March 31, 1999	417,209	58,372	57,669	292,807
Net income for the year ended March 31, 2000	—	—	—	15,294
Prior year adjustments for retroactive recognition of deferred tax (Note 2. (1))	—	—	—	17,449
Cash dividends	—	—	—	(5,844)
Directors' and statutory auditors' bonuses	—	—	—	(105)
Decrease due to additional consolidation of subsidiaries	—	—	—	(36)
Other increase	—	—	—	4
Other decrease	—	—	—	(193)
Retirement of treasury stocks	(3,027)	—	—	(4,999)
Exercise of warrants	937	591	718	—
Balance as at March 31, 2000	**415,119**	**¥58,963**	**¥58,387**	**¥314,377**

	Number of shares of common stock (thousands)	Thousands of U.S. dollars (Note 1. (1))		
		Common stock	Capital surplus	Retained earnings
Balance as at March 31, 1999	417,209	$507,583	$501,470	$2,788,639
Net income for the year ended March 31, 2000	—	—	—	145,657
Prior year adjustments for retroactive recognition of deferred tax (Note 2. (1))	—	—	—	166,181
Cash dividends	—	—	—	(55,657)
Directors' and statutory auditors' bonuses	—	—	—	(1,000)
Decrease due to additional consolidation of subsidiaries	—	—	—	(343)
Other increase	—	—	—	38
Other decrease	—	—	—	(1,838)
Retirement of treasury stocks	(3,027)	—	—	(47,610)
Exercise of warrants	937	53,969	54,597	—
Balance as at March 31, 2000	**415,119**	**$561,552**	**$556,067**	**$2,994,067**

The accompanying notes are an integral part of the statements.

Consolidated Statements of Cash Flows

Shiseido Company, Limited, and Subsidiaries—For the year ended March 31, 2000

	Millions of yen 2000	Thousands of U.S. dollars (Note 1. (1)) 2000
Cash Flows from Operating Activities:		
Income before income taxes	¥41,670	$396,857
Depreciation	25,586	243,676
Amortization of difference between investment costs and equity in net assets acquired	(1,702)	(16,210)
Interest and dividend income	(3,160)	(30,095)
Interest expenses	384	3,657
Equity in earnings of affiliates	(190)	(1,810)
Gain on sale of property, plant and equipment	(1,044)	(9,943)
Increase in receivables	(6,056)	(57,676)
Increase in inventories	(15,140)	(144,190)
Increase in payables	2,825	26,905
Other	3,774	35,943
	46,947	447,114
Receipt of interest and dividend income	3,139	29,895
Payment of interest expenses	(426)	(4,057)
Payment of income taxes	(15,336)	(146,057)
Cash flows from operating activities	34,324	326,895
Cash Flows from Investing Activities:		
Acquisition of securities	(38,711)	(368,676)
Proceeds from sale of securities	44,588	424,648
Acquisition of investments in securities	(16,776)	(159,771)
Proceeds from sale of investments in securities	9,840	93,714
Acquisition of property, plant and equipment	(31,714)	(302,038)
Proceeds from sale of property, plant and equipment	4,207	40,066
Acquisition of intangible assets	(4,227)	(40,257)
Other	958	9,123
Cash flows from investing activities	(31,835)	(303,191)
Cash Flows from Financing Activities:		
Borrowing of short-term bank loans	3,768	35,886
Borrowing of long-term debt	3,051	29,057
Repayment of long-term debt	(1,279)	(12,181)
Proceeds from exercise of warrants	1,181	11,248
Acquisition of treasury stocks	2	19
Retirement of treasury stocks	(4,999)	(47,610)
Payment of cash dividends	(5,844)	(55,657)
Payment of cash dividends to minority shareholders	(598)	(5,695)
Cash flows from financing activities	(4,718)	(44,933)
Exchange Difference of Cash and Cash Equivalents	(2,988)	(28,457)
Changes in Cash and Cash Equivalents	(5,217)	(49,686)
Cash and Cash Equivalents at Beginning of Year	73,270	697,810
Increase in Cash and Cash Equivalents due to Additional Consolidation of Subsidiaries	468	4,457
Cash and Cash Equivalents at End of Year	¥68,521	$652,581

The accompanying notes are an integral part of the statements.

Notes to the Consolidated Financial Statements
Shiseido Company, Limited, and Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

(1) Accounting Principles and Presentation
The accompanying consolidated financial statements have been prepared from the accounts maintained by Shiseido Company, Limited (the "Company") and its consolidated subsidiaries (the "Companies") in accordance with the provisions set forth in the Japanese Commercial Code and other countries' regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Accounting Standards.

Certain items presented in the consolidated financial statements filed with the Ministry of Finance (the "MOF") in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the consolidated statements of cash flows are required to be prepared from the fiscal year beginning on or after April 1, 1999 in accordance with the new Accounting Standards for Consolidated Statements of Cash Flows issued by the Business Accounting Deliberation Council and filed with the MOF.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105=U.S.$1 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

(2) Scope of Consolidation
The Company had 80 subsidiaries ("controlled companies," that is, the decision-making body of the entity is controlled) as at March 31, 2000 (71 as at March 31, 1999). The consolidated financial statements include the accounts of the Company and 76 (65 for 1999) of its subsidiaries. The major consolidated subsidiaries are listed below:

As at March 31, 2000

	Equity ownership percentage, including indirect ownership	Capital stock (thousands)
Osaka Shiseido Co., Ltd.	91.4%	¥315,000
Shiseido Kako Co., Ltd.	100.0	¥100,000
Shiseido Fine Toiletry Co., Ltd.	100.0	¥30,000
Shiseido Sales Co., Ltd.	65.8	¥1,590,264
Shiseido Cosmenity Co., Ltd.	100.0	¥820,000
Shiseido International Corporation	100.0	$375,810

In the accompanying consolidated financial statements, the accounts of 36 overseas subsidiaries and one domestic subsidiary at December 31, 1999 and for the year then ended were consolidated with the accounts of the Company at March 31, 2000 and for the year then ended, as they use a fiscal year ending on December 31 of each year.

The accounts of 4 subsidiaries have not been consolidated with the Companies for the following reasons: inactive and insignificant amount of total assets, net sales, net income and retained earnings.

(3) Consolidation and Elimination
For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests.

The cost of investments in the common stock of consolidated subsidiaries is eliminated with the underlying equity in net assets of such subsidiaries. The material difference between the cost of an investment and the amount of underlying equity in net assets of such subsidiary is deferred and amortized over a reasonable period within 20 years on a straight-line basis.

(4) Investments in Unconsolidated Subsidiaries and Affiliates
At March 31, 2000, the Company had 2 affiliates ("influenced companies," that is, financial and operating or business decision making of an entity that is not a subsidiary can be influenced to a material degree).

Among the investments in affiliates, investments in 2 affiliates (5 for 1999) are accounted for by the equity method, under which the Company's equity in net income of these affiliates is included in consolidated income with appropriate elimination of intercompany profit at March 31, 2000 and for the year then ended. The remaining investments in unconsolidated subsidiaries are stated at cost.

(5) Remeasurement of Assets and Liabilities of Subsidiaries
With effect from the year ended March 31, 2000, as a result of the amendment of Accounting Principles for Consolidated Financial Statements, assets and liabilities of subsidiaries are required to be remeasured at fair value as of the date of acquisition of the control.

The Company adopts "full fair value method" so that the full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of the control.

2. Summary of Significant Accounting Policies

(1) Recognition of Income Taxes
With effect from the year ended March 31, 2000, as a result of the amendment of Accounting Principles for Consolidated Financial Statements, the Companies adopted deferred tax accounting, whereby tax effects on temporary differences are adequately reflected and recognized as additions to or deductions from "Income Taxes" in the accompanying Consolidated Statements of Income. As a result of this change, the following items as at March 31, 2000 were increased as compared with the previous method:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Current	**¥10,800**	**$102,857**
Non-current	**12,252**	**116,686**
	23,052	**219,543**
Investments and advances	**46**	**438**
Deferred tax liabilities:		
Current	**20**	**191**
Non-current	**1,259**	**11,990**
	1,279	**12,181**
Minority interests in consolidated subsidiaries	**1,370**	**13,048**
Net income	**3,156**	**30,057**
Retained earnings	**¥20,604**	**$196,229**

In the Consolidated Financial Statements for the years ended March 31, 1998 and 1999, the Companies have recognized tax effects on timing differences relating to the elimination of "unrealized intercompany profit" in year-end inventory remaining within the Companies and "Allowance for doubtful accounts" provided for against intercompany account receivables for allowed tax deductions.

(2) Foreign Currency Translation
Accounts receivable and payable denominated in foreign currencies due within one year are translated at the current exchange rate prevailing on the balance sheet dates. The resulting exchange gains or losses are included in the determination of net income of the relevant period.

Long-term receivables and payables and investments in and advances to unconsolidated subsidiaries and affiliates denominated in foreign currencies are translated at the historical exchange rates prevailing at the time such transactions were made.

Whenever material foreign exchange rate fluctuations occur, such long-term receivables and payables in such foreign currencies are translated exceptionally at the current exchange rate in order to recognize the significant effect of the change in yen value against foreign currencies.

(3) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries and Affiliates)
The translation of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen has been made by the method of translation prescribed by the statements issued by the Business Accounting Council (BAC) of Japan.

The translations of foreign currency financial statements of overseas consolidated subsidiaries into Japanese yen are made by applying the current exchange rate prevailing at the balance sheet date, except that capital accounts and retained earnings are translated at the historical rates.

In this connection, certain adjusting accounts must be set up in the Consolidated Balance Sheets, Consolidated Statements of Income and Consolidated Statements of Shareholders' Equity to enable balancing of debit and credit totals as well as the reconciliation of the beginning balance with the ending balance of retained earnings in translated yen amounts. Such adjusting account balances are shown as "Adjustments on Foreign Currency Statement Translation" in the accompanying Consolidated Financial Statements.

(4) Inventories
Inventories held by the Company are valued at cost, which is determined by the average method.

Inventories held by the consolidated subsidiaries are valued at cost, which is determined principally by the last purchase price method.

(5) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment except for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) is computed on the declining-balance method and depreciation of buildings is computed on the straight-line method, at rates based on the estimated useful lives of assets which are, in certain instances, shorter than those prescribed by the Japanese income tax laws.

According to the fiscal 1998 amendments of the Japanese corporate tax laws, part of the domestic consolidated subsidiaries have computed the depreciation for the buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) which have newly been acquired on or after April 1, 1998 by the straight-line method.

With effect from the year ended March 31, 2000, the Company and all of its domestic consolidated subsidiaries changed the depreciation method of buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) which had been acquired before April 1, 1998 from the declining-balance method to the straight-line method. The change was made based on the recognition that financial information to be comparable internationally can be disclosed since the straight-line method is popularly adopted internationally and that buildings are used stably over the useful lives and their value decreases evenly for the period not to affect the productivity and profitability, taking the opportunity that consolidated financial information becomes to be disclosed mainly and the unification of accounting policy among the Companies is required.

As a result of the change, “Gross profit” for the year ended March 31, 2000 was increased by ¥434 million ($4,133 thousand) and “Income from operations” and “Income before income taxes” were increased by ¥1,278 million ($12,171 thousand), respectively, as compared with the previous basis.

The range of useful lives is summarized as follows:

Buildings and structures	10 to 40 years
Machinery and equipment	primarily 6 to 7 years

Part of domestic consolidated subsidiaries adopted useful lives of buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) which are shorter than those used in previous years, pursuant to the amendments of the Japanese corporate tax laws, which took effect from the year starting on and after April 1, 1998.

As a result of adopting the new useful lives of buildings, depreciation cost for the year ended March 31, 1999 was increased by ¥68 million, and “Income from operations” and “Income before income taxes” were decreased by the same amount as compared with the previous method, respectively.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(6) Amortization

Discounts on bond issue are deferred and amortized on a straight-line basis over a period up to the maturity of the relevant bond.

As for the amortization of intangible assets, see Note 4 below.

(7) Valuation of Securities

Securities with market quotation (listed on stock exchanges) are valued at the lower of cost or market. The other securities are valued at cost. In all cases, cost is determined by the moving average method.

Until the year ended March 31, 1999, for the valuation of securities with market quotation the Company had adopted the lower method of cost or market and domestic consolidated subsidiaries had adopted the cost method mainly.

With effect from the year ended March 31, 2000, domestic consolidated subsidiaries changed their valuation method from the cost method to the lower of cost or market method in order to unify the accounting policy among the Companies.

As a result of the change, “Income before income taxes” was decreased by ¥80 million ($762 thousand), as compared with the previous basis.

Appropriate write-downs are recorded for investments in certain securities, the value of which has declined substantially and such impairments of the value are considered not to be temporary.

(8) Accounting for Leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method similar to that applicable to ordinary operating leases.

(9) Net Income and Dividends per Share

“Net income per share” of common stock is based upon the weighted average number of shares of common stock outstanding during each year. The fully diluted net income per share calculation assumes full conversion of all convertible debentures and full exercise of all warrants of the Company outstanding.

Cash dividends per share shown for each year in the Consolidated Statements of Income represent dividends declared as applicable to the respective year, rather than those paid in each year.

(10) Accounting for the Consumption Tax

In Japan, the consumption tax is imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax imposed on the Companies' domestic sales to customers is withheld by the Companies at the time of sale and is paid to the national government subsequently.

The Company excludes the consumption tax withheld upon sale and the consumption tax paid on the purchases of goods and services from the related amounts in the accompanying Consolidated Statements of Income. The consolidated subsidiaries primarily exclude the consumption tax in the related amounts in the accompanying Consolidated Statements of Income.

(11) Allowance for Doubtful Accounts

Until the year ended March 31, 1998, the Company had provided the allowance for doubtful accounts in an amount determined by the method prescribed by the Japanese corporate tax laws for maximum deduction (method using certain prescribed percentage to the balance of total receivables, as defined).

Pursuant to the amendments of the Japanese corporate tax laws, which took effect from the year starting on and after April 1, 1998, the Company started to provide the allowance for doubtful accounts by the method which uses the percentage of its own actual bad debt loss against the balance of total receivables, as defined (prescribed percentages under the tax laws are no longer applicable in the computation) plus the amount of uncollectible receivables estimated on an individual basis.

As a result of this change, "Income from operations" for the year ended March 31, 1999 was increased by ¥1,379 million and "Income before income taxes" was increased by ¥2,130 million as compared with the previous method.

3. Inventories

Inventories held by the Companies as at March 31, 1999 and 2000 consisted of the following:

	Millions of yen 1999	Millions of yen 2000	Thousands of U.S. dollars 2000
Merchandise and products	¥45,676	**¥53,481**	**$509,343**
Raw materials	11,884	**11,997**	**114,257**
Work in process	5,525	**5,499**	**52,371**
Supplies	2,709	**6,446**	**61,391**
	¥65,794	**¥77,423**	**$737,362**

4. Intangible Assets and Deferred Charges

Intangible assets as at March 31, 1999 and 2000 consisted of the following:

	Millions of yen 1999	Millions of yen 2000	Thousands of U.S. dollars 2000
Goodwill*	¥28,400	**¥24,100**	**$229,524**
Trademark rights**	1,794	**1,736**	**16,533**
Deferred assets	725	**—**	**—**
Others	18,705	**18,665**	**177,762**
	¥49,624	**¥44,501**	**$423,819**

* *Goodwill includes goodwill relating to Zotos International, Inc. ("Zotos") and the North American Professional Division from Helene Curtis, Inc. ("Helene Curtis"), the Professional Division from The Lamaur Corporation, the domestic trade rights of Shiseido's products from Takigawa Company, Ltd. and the product and trade rights of partial brand goods from Bristol Myers Squib, Inc. During each of the years ended March 31, 1999 and 2000, the acquisition costs were ¥4,968 million and ¥241 million, respectively.*

Goodwill is being amortized over mainly a 40-year period on a straight-line basis. During each of the years ended March 31, 1999 and 2000, ¥1,461 million and ¥1,477 million was amortized to income, respectively.

** *Trademark rights include acquired product lines from Helene Curtis and Bristol Myers Squib, Inc.*

During the year ended March 31, 2000, the acquisition costs were ¥177 million. During the year ended March 31, 1999, there was no acquisition of trademark rights.

Trademark rights are being amortized over mainly a 10-year period on a straight-line basis. During each of the years ended March 31, 1999 and 2000, ¥621 million and ¥223 million was amortized to income, respectively.

5. Long-Term Debt

Long-term debt as at March 31, 1999 and 2000 consisted of the following:

	Millions of yen 1999	Millions of yen 2000	Thousands of U.S. dollars 2000
Long-term borrowings from banks and other financial institutions	¥ 4,657	**¥ 6,021**	**$ 57,343**
0.875 percent Swiss franc bonds due May 8, 2000, with warrants (detachable)	25,481	**25,481**	**242,676**
	30,138	**31,502**	**300,019**
Less: portion due within one year	—	**(25,481)**	**(242,676)**
	¥30,138	**¥ 6,021**	**$ 57,343**

The current exercise price per share and number of shares issuable upon full exercise of warrants described above are summarized as follows:

	Current exercise price	Fixed exchange rate used	Number of shares issuable upon full exercise (thousands)
Warrants attached to:			
0.875 percent Swiss franc bonds due May 8, 2000	¥1,261.0	SFr1=¥88.98	1,832

In connection with each issue of bonds with warrants, the Company has entered into a long-term forward exchange contract to hedge the repayment of the principal of the bonds. Accordingly, the principal amount of each issue of bonds is translated at the applicable forward exchange rate and the difference between the amount translated at the forward exchange contract rate and the amount translated at the historical exchange rate is deferred and amortized over a period from the date of concluding the forward exchange contract to the date of settlement based on the number of months. The amount amortized during both of the years ended March 31, 1999 and 2000 was ¥272 million ($2,590 thousand).

The unamortized balance was included in "Other current liabilities" in an amount of ¥45 million ($428 thousand) in the accompanying Consolidated Balance Sheets at March 31, 2000.

6. Retirement Plans and Severance Indemnities

The Company and its consolidated domestic subsidiaries have a funded pension program to cover the employees' retirement benefits. The amount of such retirement benefits is determined by reference to the latest rate of pay, length of service and conditions under which the retirements occur.

The accumulated balance of fixed fund assets of the pension program aggregated ¥143,466 million ($1,366,343 thousand) at March 31, 2000.

The past service cost for the pension program arising from the amendment mentioned above is amortized over 20 years on a straight-line basis.

The "Accrued retirement benefits" account has been provided for periodic accrual of cost of the retirement benefits that are not covered by the funded pension program mentioned above. The balance of "Accrued retirement benefits" in the accompanying Consolidated Balance Sheets represents the total amount of the liability the Company and its consolidated domestic subsidiaries would be required to pay if all eligible employees voluntarily terminated employment at the respective balance sheet dates.

7. Deferred Tax

Deferred tax assets and liabilities (both current and non-current) consisted of the following elements:

	Millions of yen 2000	Thousands of U.S. dollars 2000
Deferred tax assets:		
Depreciation	¥11,669	$111,133
Accrued expenses	5,437	51,781
Accrued enterprise tax	1,974	18,800
Allowance for bonuses not deductible until paid	1,727	16,448
Unrealized intercompany profit of inventory and fixed assets	10,282	97,924
Other	3,789	36,086
	34,878	332,172
Allowance for valuation	(967)	(9,210)
	¥33,911	$322,962
Deferred tax liabilities:		
Special tax-purpose reserve	804	7,666
Other	475	4,514
	¥ 1,279	$ 12,180
Reconciliation of actual tax rate is shown below:		
•Effective statutory tax rate	41.0%	
•Adjustments:		
Entertainment expenses and other not deductible	9.9	
Dividends income and other not taxable	(1.1)	
Effect from tax rate change	5.1	
Other factor	4.9	
•Actual tax rate	59.8%	

8. Contingent Liabilities

As at March 31, 2000, the Companies had no contingent liabilities.

9. Accounting for Leases

The Companies have various lease agreements whereby the Companies act both as a lessee and a lessor. Finance lease contracts (both as a lessee and as a lessor) other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases. Certain key information on such lease contracts of the Companies as a lessee and a lessor for the years ended March 31, 1999 and 2000 was as follows:

	Millions of yen 1999	2000	Thousands of U.S. dollars 2000
As a lessee:			
The scheduled maturities of future lease rental payments on such lease contracts were as follows:			
Due within one year	¥ 3,631	¥ 3,709	$ 35,324
Due over one year	8,172	7,836	74,628
	¥11,803	¥11,545	$109,952
Lease rental expenses for the year	¥ 4,006	¥ 3,876	$ 36,914
Assumed depreciation	¥ 4,006	¥ 3,876	$ 36,914
Leased machinery and equipments:			
Assumed purchase cost	¥24,710	¥22,475	$214,047
Assumed accumulated depreciation	(12,907)	(10,930)	(104,095)
Assumed net book value	¥11,803	¥11,545	$109,952

Assumed data as to purchase cost, accumulated depreciation, net book value of leased machinery and equipments include the portion of interest thereon.

Depreciation is based on the straight-line method over the lease term of the lease assets.

	Millions of yen 1999	2000	Thousands of U.S. dollars 2000
As a lessor:			
The scheduled maturities of future lease rental income on such lease contracts were as follows:			
Due within one year	¥ 363	¥ 468	$ 4,457
Due over one year	613	1,253	11,933
	¥ 976	¥ 1,721	$ 16,390
Lease rental income for the year	¥ 201	¥ 500	$ 4,762
Depreciation	¥ 198	¥ 444	$ 4,229
Assumed interest income	¥ 30	¥ 62	$ 590
Leased machinery and equipments:			
Purchase cost	¥ 1,846	¥ 2,716	$ 25,867
Accumulated depreciation	(960)	(1,048)	(9,981)
Net book value	¥ 886	¥ 1,668	$ 15,886

10. Subsequent Event

Subsequent to March 31, 2000, the Company's Board of Directors, with the subsequent approval by shareholders on June 29, 2000, declared a cash dividend of ¥3,736 million ($35,581 thousand), equal to ¥9.0 per share, which was applicable to earnings of the year ended March 31, 2000 and payable to shareholders on the register on March 31, 2000.

11. Segment Information

(1) Industry Segment Information

The Companies operate principally in the following three industrial segments:

Cosmetics	Women's and men's cosmetics
Toiletries	Soaps, hair care products, mass market cosmetics and napkins
Others	Beauty salon products, health and beauty foods, pharmaceuticals and goods

The segment information of the Companies for the three years ended March 31, 2000 is presented below:

	Millions of yen 1998	1999	2000	Thousands of U.S. dollars 2000
Net sales:				
Cosmetics	¥457,333	¥444,495	**¥441,375**	**$4,203,571**
Toiletries	99,310	98,939	**91,619**	**872,562**
Others	64,267	60,861	**63,649**	**606,181**
	¥620,910	¥604,295	**¥596,643**	**$5,682,314**
Operating income before unallocatable costs:				
Cosmetics	¥ 51,367	¥ 45,744	**¥ 46,559**	**$ 443,419**
Toiletries	302	2,621	**3,684**	**35,086**
Others	(1,487)	(643)	**1,030**	**9,810**
	50,182	47,722	**51,273**	**488,315**
Less: unallocatable operating expenses	(12,069)	(12,360)	**(13,277)**	**(126,448)**
Operating income	¥ 38,113	¥ 35,362	**¥ 37,996**	**$ 361,867**
Total assets:				
Cosmetics	¥293,362	¥280,662	**¥293,835**	**$2,798,428**
Toiletries	54,546	55,001	**50,012**	**476,305**
Others	112,259	109,553	**112,819**	**1,074,467**
	460,167	445,216	**456,666**	**4,349,200**
Unallocatable or headquarters	166,268	168,763	**200,765**	**1,912,048**
	¥626,435	¥613,979	**¥657,431**	**$6,261,248**
Depreciation:				
Cosmetics	¥ 8,963	¥ 10,145	**¥ 12,489**	**$ 118,943**
Toiletries	3,103	2,856	**2,527**	**24,067**
Others	6,064	5,550	**6,853**	**65,266**
	18,130	18,551	**21,869**	**208,276**
Unallocatable or headquarters	64	66	**60**	**572**
	¥ 18,194	¥ 18,617	**¥ 21,929**	**$ 208,848**
Capital expenditure:				
Cosmetics	¥ 22,203	¥ 15,797	**¥ 22,553**	**$ 214,791**
Toiletries	2,816	2,116	**2,283**	**21,743**
Others	9,842	8,344	**11,020**	**104,952**
	34,861	26,257	**35,856**	**341,486**
Unallocatable or headquarters	120	114	**25**	**238**
	¥ 34,981	¥ 26,371	**¥ 35,881**	**$ 341,724**

As a result of the change of accounting policy (see Note 2. (5) and (7)), the following items as at March 31, 2000 were increased (decreased) as compared with the previous method:

	Millions of yen	Thousands of U.S. dollars
Operating income:		
Cosmetics	¥ 710	$ 6,762
Toiletries	166	1,581
Others	385	3,667
Unallocatable operating expenses	17	162
	¥ 1,278	$ 12,172
Total assets:		
Cosmetics	¥ 629	$ 5,990
Toiletries	166	1,581
Others	385	3,667
Unallocatable or headquarters	17	162
	¥ 1,197	$ 11,400
Depreciation:		
Cosmetics	¥ (710)	$ (6,762)
Toiletries	(166)	(1,581)
Others	(385)	(3,667)
Unallocatable or headquarters	(17)	(162)
	¥(1,278)	$(12,172)

(2) Information by Geographic Segment
Sales of the Companies classified by geographic area (inside and outside Japan) for the three years ended March 31, 2000 are summarized as follows:

	Millions of yen 1998	1999	2000	Thousands of U.S. dollars 2000
Net sales:				
Domestic (inside Japan)	¥530,444	¥511,790	¥509,923	$4,856,409
Outside Japan:				
North America	28,373	25,443	22,595	215,190
Europe	43,671	47,740	40,281	383,629
Asia, Oceania	18,422	19,322	23,844	227,086
	90,466	92,505	86,720	825,905
	¥620,910	¥604,295	¥596,643	$5,682,314
Operating income before unallocatable costs:				
Domestic (inside Japan)	¥ 43,319	¥ 40,834	¥ 44,903	$ 427,648
Outside Japan:				
North America	2,012	1,433	1,724	16,419
Europe	2,752	3,156	1,863	17,743
Asia, Oceania	2,099	2,299	2,783	26,505
	6,863	6,888	6,370	60,667
	50,182	47,722	51,273	488,315
Less: unallocatable operating expenses	(12,069)	(12,360)	(13,277)	(126,448)
Operating income	¥ 38,113	¥ 35,362	¥ 37,996	$ 361,867
Total assets:				
Domestic (inside Japan)	¥348,880	¥330,136	¥346,643	$3,301,362
Outside Japan:				
North America	54,979	50,898	48,253	459,552
Europe	38,633	40,677	37,498	357,124
Asia, Oceania	17,674	23,505	24,272	231,162
	111,286	115,080	110,023	1,047,838
	460,166	445,216	456,666	4,349,200
Unallocatable or headquarters	166,269	168,763	200,765	1,912,048
	¥626,435	¥613,979	¥657,431	$6,261,248

As a result of the change of accounting policy (see Note 2. (5) and (7)), the following items as at March 31, 2000 were increased as compared with the previous method:

	Millions of yen	Thousands of U.S. dollars
Operating income:		
Domestic (inside Japan)	¥ 1,261	$ 12,010
Unallocatable operating expenses	17	162
	¥ 1,278	$ 12,172
Total assets:		
Domestic (inside Japan)	¥ 1,180	$ 11,238
Unallocatable or headquarters	17	162
	¥ 1,197	$ 11,400
Depreciation:		
Domestic (inside Japan)	¥(1,261)	$(12,010)
Unallocatable or headquarters	(17)	(162)
	¥(1,278)	$(12,172)

(3) Export Sales and Sales by Overseas Subsidiaries

Export sales of the Companies (meaning the amounts of export made by the Company and its domestic subsidiaries plus the sales of overseas consolidated subsidiaries) for the three years ended March 31, 2000 are presented below:

	Millions of yen			Thousands of U.S. dollars
	1998	1999	2000	2000
Export sales and sales by overseas subsidiaries:				
Americas	¥29,078	¥28,405	¥25,215	$240,143
Europe	40,290	42,559	36,173	344,505
Asia, Oceania	22,850	22,591	26,089	248,466
	¥92,218	¥93,555	¥87,477	$833,114
Percentage of such sales against consolidated net sales	14.9%	15.5%	14.7%	14.7%

Report of Independent Certified Public Accountants

The Board of Directors
Shiseido Company, Limited

We have audited the accompanying consolidated balance sheets of Shiseido Company, Limited and its consolidated subsidiaries as at March 31, 1999 and 2000, and the related consolidated statements of income and shareholders' equity for each of the three years in the period ended March 31, 2000 and the consolidated statements of cash flows for the year ended March 31, 2000, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Shiseido Company, Limited and its consolidated subsidiaries as at March 31, 1999 and 2000, and the consolidated results of their operations for each of the three years in the period ended March 31, 2000 and their cash flows for the year ended March 31, 2000 in conformity with accounting principles and practices generally accepted in Japan (see Note 1. (1)) applied on a consistent basis except for the changes, with which we concur, in the method of accounting for depreciation of buildings as described in Note 2. (5) and the valuation of securities as described in Note 2. (7).

The amounts expressed in U.S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1. (1) to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

Tokyo, Japan
June 29, 2000

DIRECTORS AND AUDITORS

As of June 29, 2000

Chairman of the Board
Yoshiharu Fukuhara*

President & CEO
Akira Gemma*

Executive Vice President
Morio Ikeda*

Senior Executive Directors
Sadao Abe*
Osamu Hosokawa*
Shigeo Shimizu*

Executive Directors
Yoshimaru Kumano
Tadakatsu Saito

Directors
Masami Hamaguchi
Masahiro Kaneko
Kohei Mori
Yasutaka Mori
Kazunari Moriya
Takeshi Ohori
Akira Yamauchi

*Representative Director

Standing Corporate Auditors
Masatoshi Takemoto
Hiroshi Yamaguchi

External Corporate Auditors
Kinya Imamura
Kinko Sato

SHAREHOLDER INFORMATION

As of March 31, 2000

Head Office
Shiseido Company, Limited
7-5-5, Ginza, Chuo-ku,
Tokyo 104-8010, Japan
Tel: +81-3-3572-5111

For Further Information, Please Write to
Investor Relations Department
Financial Division
Shiseido Company, Limited
7-5-5, Ginza, Chuo-ku,
Tokyo 104-8010, Japan
Fax: +81-3-3289-1235

Home Page
English Edition:
http://www.shiseido.co.jp/e/
Japanese Edition:
http://www.shiseido.co.jp/

Fiscal Year-End
March 31

Annual Meeting
The annual meeting of shareholders is normally held in June in Tokyo.

Stock Listings
Common Stock:
Tokyo Stock Exchange
American Depositary Receipts:
U.S. Over-the-Counter

Independent Certified Public Accountants
ChuoAoyama Audit Corporation

Transfer Agent for Common Stock
The Chuo Mitsui Trust & Banking Co., Ltd.
1-7-1, Kyobashi, Chuo-ku,
Tokyo 104-0031, Japan

American Depositary Receipts
Cusip No.: 824841407
Ratio (ADR:ORD): 1:1
Exchange: OTC (Over-the-Counter)
Symbol: SSDOY
Depositary:
The Bank of New York
101 Barclay Street,
New York, NY 10286, U.S.A.
Tel: (212) 815-2042
U.S. toll free: 888-269-2377
(888-BNY-ADRS)
Home page: http://www.adrbny.com

Stock Data
Common Shares Issued and Outstanding: 415,118,613
Number of Shareholders: 33,727

	'99.4	'99.5	'99.6	'99.7	'99.8	'99.9	'99.10	'99.11	'99.12	'00.1	'00.2	'00.3	'00.4	'00.5
Stock price (yen)														
High	¥1,890	¥1,881	¥1,850	¥1,860	¥1,648	¥1,635	¥1,688	¥1,727	¥1,720	¥1,674	¥1,488	¥1,415	¥1,480	¥1,650
Low	1,560	1,703	1,750	1,575	1,453	1,440	1,563	1,547	1,460	1,462	1,240	1,266	1,331	1,360
Volume (thousands)	19,990	14,637	14,177	15,421	15,417	16,363	10,337	20,661	14,217	15,270	27,038	15,627	15,925	22,524

In this annual report, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties, and other factors that may cause actual results and achievements to differ from those anticipated in these statements.